Creating Shared Value (CSV) Governance in an ESG Era

Charles Lake Chairman and Representative Director Aflac Life Insurance Japan

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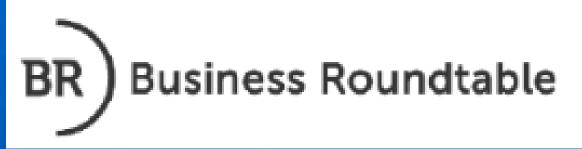
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The Business Environment in an "Ultra-VUCA Era"

IAIS **Digital Transformation Corporate Governance Reform** The "New Normal" FinTech Natural Disasters The 4th Industrial Revolution ESG Stakeholder Capitalism **Trump Administration** AI Suga Administration WHO **Biden Administration** The 100-Year Life Supervisory Colleges Teleworking ICS **Open Innovation** Blockchain U.S.-China Hegemonic Competition Smart Cities **Customer-Centric Business Conduct Digital Society** Covid-19 Protectionism North Korea Super Cities Quantum Computing **Diversity and Womenomics** South Korea Sustainable Social Security IoT **Regulatory Sandbox** Workstyle Reform Society 5.0 **QQE** Monetary Policy CPTPP **Global Monetary Policy** Genomic Medicine Pandemic Longer Healthy Lives SDGs Data Collection **Recurrent Education Regulation of Digital Platformers** Digital Governance Code Sharing Economy Data Analytics Information Bank Cancer Survivorship Brexit Telemedicine

Shift toward "Stakeholder Capitalism"



(Source) Business Roundtable homepage

All companies "share a fundamental commitment to all of our stakeholders"



(Source) World Economic Forum homepage

Renewing the concept of stakeholder capitalism to overcome societal division, the climate crisis, and other major issues facing the world

Source: World Economic Forum, "Stakeholder Capitalism: A Manifesto for a Cohesive and Sustainable World," January 14, 2020

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Source: Statement on the Purpose of a Corporation, Aug. 2019

Japan's Origins of Stakeholder Capitalism

"Goodness in Three Directions" business practices



Source: Nikkei

Harmonization between profits and ethics **Emphasis on sustainability**

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"The Analects and the Abacus"



Source: Eiichi Shibusawa Memorial Foundation website



The "Theological Debate" Ending

Western-style management Focus on shareholder, investor interests

Stakeholder Capitalism

The ESG (Environment, Social, Governance) era has arrived

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Japanese-style management Focus on employee, affiliate interests

Turning Point for the Global Economic Architecture

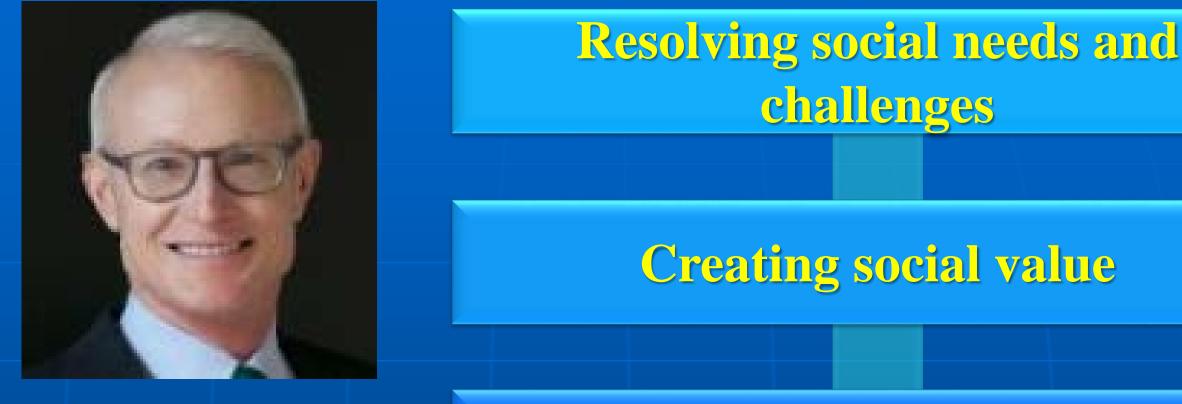
International Finance & Capital Markets

World Bank **International Monetary Fund (IMF) Financial Stability Board (FSB), etc.**

International Trade & Investment World Trade Organization (WTO) Organization for Economic Cooperation and Development (OECD) Various Free-trade Agreements, etc.

A new world order is needed

What is "Creating Shared Value" (CSV)?



Source: Harvard Business School website

Professor Michael Porter

Creating economic value

Achieving sustained growth

An ongoing exploration of societal needs will lead companies to discover new opportunities for differentiation and repositioning in traditional markets, and to recognize the potential of new markets they previously overlooked.

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Source: Harvard Business Review, January – February 2011 "CREATING SHARED VALUE" 6

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social needs and

CSV Governance as a Strategic Framework



Operational agility in a digital society

Strategic CSV management

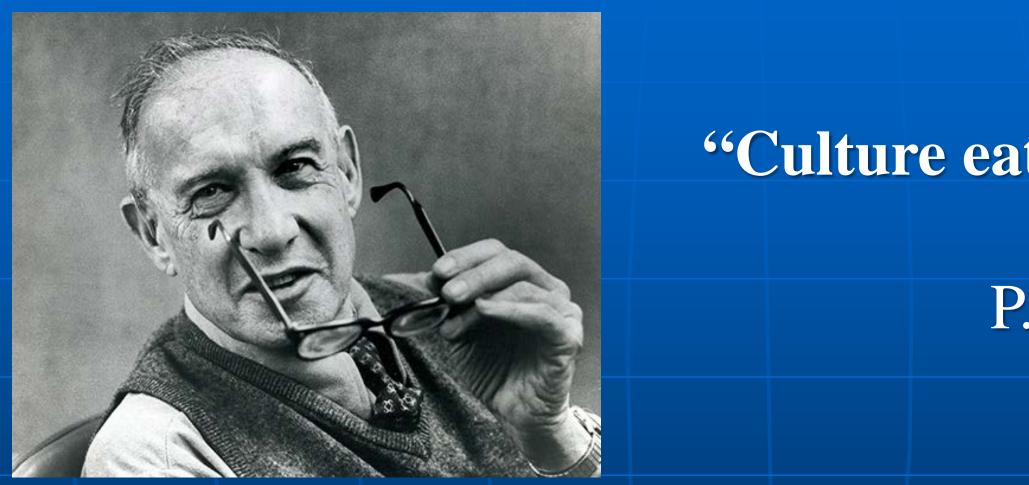
Core values, principles, corporate culture

Through the creation of shared value, achieve sustainable growth and enhanced corporate value

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Performance-oriented talent management system

Foundation for Management: Core Values and Corporate Culture



Source: "Adventures of a Bystander"

"Values and shared action among management and employees"

Corporate culture determines strategy effectiveness

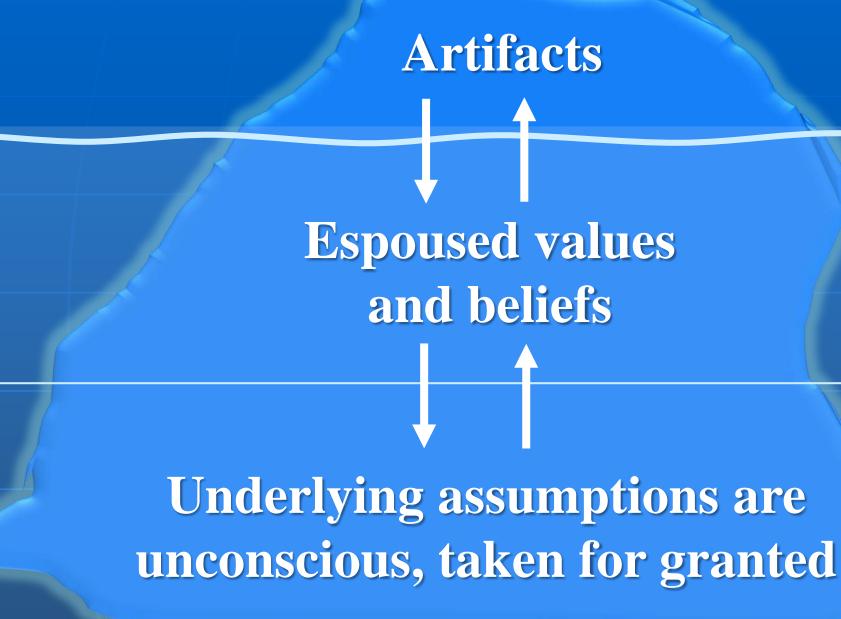
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"Culture eats strategy for breakfast."

P.F. Drucker

The Three Levels of Corporate Culture



Source: Organizational Culture and Leadership, Edgar and Peter A. Schein (1985)

Deep permeation of core values so they are unconscious and taken for granted

Aflac Core Values



The Aflac Way

Corporate philosophy

Brand promise: Creating "Living in Your Own Way" **Employees**

Putting into practice CSV management centered on the five major stakeholders, based on core values 11

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Customers

Business Partners

Society

Shareholders

Three pillars supporting CSV governance



Effective corporate governance framework

Operational agility in a digital society

Core values, principles, corporate culture

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Performance-oriented talent management system

Pillar 1: Effective Corporate Governance Framework ~Functional differentiation between the Board of Directors and Operational Execution Divisions~

Operational Execution Divisions

Representative Director President as the Leader

Operational Directors Operational Executives Present well-thought out proposals for critical management decision

Robust and meaningful discussion to gain new insights, synergistic results

Present enhanced emergent proposals and strategic options

Value creation vision Effective strategic planning and execution

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Board of Directors

All Board Directors

Not a mere formality Open and constructive discussion in a manner that respects diverse opinions

Pillar 1: Effective Corporate Governance Framework ~Fusion of Intended Strategy and Emergent Strategy~

Intended Strategy

Strategy developed through a conscious and analytical process

A strategy created through the process of sensitively detecting and analyzing changes in the environment and repeated learning

Ensure feasibility and effectiveness with a hybrid strategy

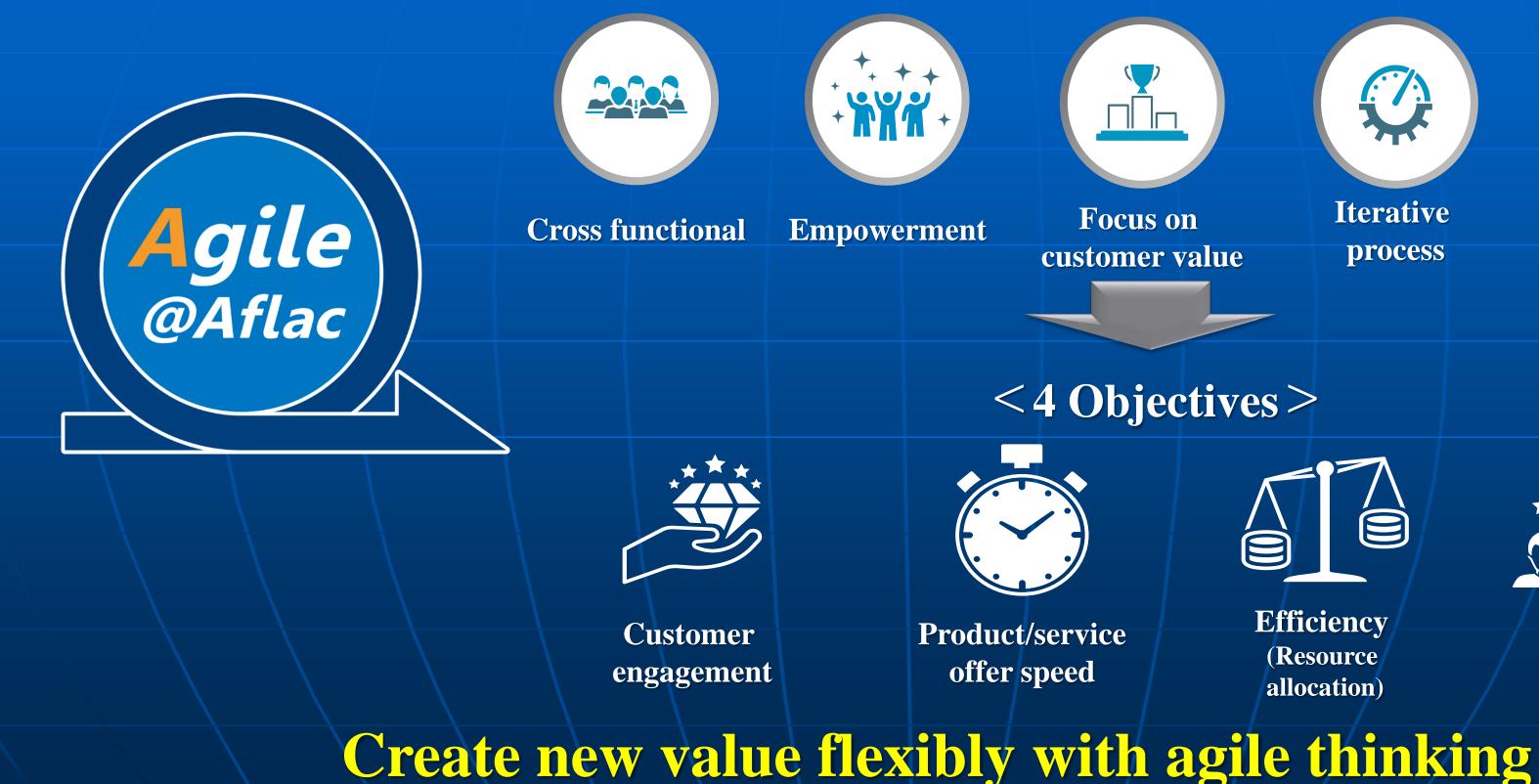
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Emergent Strategy

Provisional Translation Pillar 2: Operational Agility in a Digital Society \sim Institutionalize the Agile methodology and expand company-wide \sim

<5 Principles >



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Iterative process



Empirical approach



People engagement

Pillar 2: Operational Agility in a Digital Society ~Developing a Digital Transformation (DX) Strategy~

Medium-term Management Strategy (2020-2022)

Four Strategies

Leveraging Digital Innovation

- 1. Enhancing flexible and agile operations under the new governance framework
- 2. Reforming fundamentally the Company's "human capital management"
- 3. Implementing initiatives for growth
- Maintaining a strong financial base and investment for growth

Affac VISION2024 The leading company for creating "living in your own way"

2024

2020

Accelerate transformation by leveraging digital technology and data science

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Public announcement (Sept. 2020)

Aflac Life Insurance Japan Ltd

Digital Transformation Strategy

September 2020

Pillar 3: Performance-oriented Talent Management System - Promoting Diversity and Work Style Reform -

"If you take care of the people, they'll take care of the business"



Leveraging past human capital management initiatives that empower talent to fully contribute to value creation

Confronting the COVID-19 Challenge \sim How Aflac's CSV management dealt with the pandemic \sim

Value Creation Vision

Responding to the mandate from the "5 Major Stakeholders"

Put into practice customer-first core values

Put into practice core values to take care of people

Ensure a sustainable operational framework

Determining goals and priorities based on the fact that insurance business is an essential service

Board Resolution regarding the "Basic Policy for COVID-19"

Established "Business Continuity and Transformation Plans (BCTP)"

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Adaptability fitting for the "New Normal"

Provisional Translation How Aflac's CSV Management Dealt with COVID-19 – Results Achieved

Enhanced work-from-home environment Infection prevention measures at the workplace





Cumulative number of paid cancer insurance policies exceeds 4 million Total paid out amount of more than 8 trillion yen **Extension of insurance premium payment grace period** Payment of Accidental Death Benefits, etc. related to COVID-19 Handling of online medical care



(Source) NHK

Customers

500 Million Yen to Healthcare Professionals

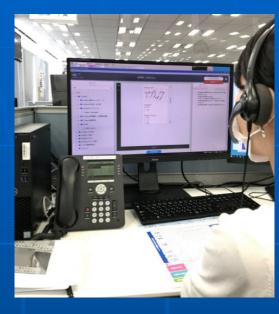




Employees Partners Shareholders Society Responding to the mandate from the 5 Major Stakeholders

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Infection prevention measures at walk-in shops **Online consultation / application system**



(Source) Nikkei

Business

ROE 16.8%* **S&P 500 Dividend Aristocrats**

Selected as a (dividend aristocrat) stock **

STANDARD & POOR'S

*Aflac Incorporated 3Q 2020 adjusted return on equity excluding the effects of exchange rate fluctuations **Aflac Incorporated

Conclusion: CSV Governance in an ESG Era



Achieve sustainable growth and enhanced corporate value

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Performance-oriented talent management system

「生きる」を創る。

Thank you.

